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SUBJECT: MOORE MEETINGS FOCUS ON ROZS, IPR, TRANSIT TRADE

Summary

1. (SBU) On the margins of the October 12-13 Strategic Dialogue in Islamabad, Bureau of Economic and Energy Affairs Deputy Assistant Secretary Chris Moore met with senior Ministry of Commerce, Finance

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and Industries to share details of the Reconstruction Opportunity Zone (ROZ) legislation and to encourage the GOP to start development of incentive and other programs to attract investment to the ROZs. Our GOP interlocutors took this advice on board and mentioned that they were planning a road show with potential investors to Washington in the near future. The Minister of Commerce pushed for inclusion of all of Balochistan in the ROZ legislation, as well as inclusion of categories 347 and 348. On intellectual property rights protection, Moore met with the Chairman of the Intellectual Property Office, highlighting the need for the GOP to fulfill its promises on enacting data protection legislation and complimenting the GOP on its progress on enforcement. End summary.

2. (SBU) Bureau of Economic and Energy Affairs Deputy Assistant Secretary Chris Moore met with State Finance Minister Omer Ayub;

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Secretary Ministry of Industries Shahab Khwaja; Minister of Commerce

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Humayum Akhtar Khan; Ashraf Hayat, Additional Secretary Ministry of Commerce, and Chairman, Intellectual Property Office (IPO) Yasin Tahir. The majority of meetings focused on briefing the GOP interlocutors on the status and details of the ROZ legislation and asking our GOP interlocutors on their plans for implementation and incentives. Pakistan's recently issued anti-money laundering ordinance was discussed at the Finance Ministry. At IPO, Moore urged prompt passage of TRIPS-compliant data protection legislation and complimented the GOP on its enforcement activities.

Ministry of Finance: Competitiveness and AML

3. (SBU) At the Ministry of Finance, State Finance Minister Omer Ayub highlighted the GOP's push on increasing the competitiveness of Pakistani firms in the international marketplace, noting USAID's

assistance. He also noted GOP efforts opening trade routes to Central Asia. Regarding incentives, Ayub commented that they need to make sense economically and highlighted GOP efforts for the motorcycle and gems and jewelry sectors. Moore emphasized that the GOP needs to start looking now at possible ROZ locations, infrastructure, and put together a package of incentives to attract investors.

14. (SBU) Moore asked Ayub about the September 8 Anti-Money Laundering (AML) ordinance signed by President Musharraf. Ayub commented that the ordinance is identical to the bill before the National Assembly and that legislative process is still in train. He added that "reputational issues" prompted Musharraf to sign the ordinance. He also argued that the Financial Intelligence Unit meets the Financial Action Task Force criteria for independence. Ayub was confident that the ordinance would be systematically renewed every four months.

Ministry of Industries: Looking beyond textiles; need to find skilled labor  
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15. (SBU) Moore briefed Shahab Khwaja, Secretary, Ministry of Industries, on the provisions of the ROZ legislation and asked Khwaja on his Ministry's implementation and industry recruitment efforts. Khwaja was particularly interested in attracting non-textile sectors (marble and granite, gems and jewelry and surgical instruments) to the ROZs. He added that the Federally Administered Tribal Areas (FATA) Secretariat had already established a marble zone. The major problem, however, is the lack of skilled manpower as people will not relocate to this region for jobs. Moore commented that training is an important part of the U.S. FATA program. He agreed that looking beyond textiles is important, but highlighted that a good incentive structure is essential to attract investors. Comment: It was clear that the GOP has not given much thought on what types of incentives are likely to attract investors to the ROZs. End comment.

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16. (SBU) Ihsan Ullah Khan, ??? of the Pakistan Stone Development Company also attended the meeting. (Note: Assistant Secretary Sullivan met with Khan in xxx during his trip to the FATA. End note.) Khan described his successful visit to the U.S. to sell his marble and granite; informed us that the establishment of "marble cities" in the FATA is well underway; and outlined his efforts on training women for mosaics and handicrafts.

Commerce Minister Khan: another push to add 347, 348 and Balochistan  
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17. (SBU) Khan was pleased to hear that the ROZ legislation would be submitted to Congress very soon, and asked about the timeframe for passage. He also made a push for inclusion of categories 347 and 348 (cotton trousers) and the entire province of Balochistan. Moore responded that formulation of the legislation required close consultations and a balance between broad coverage and what Congress will actually pass. He highlighted the single transformation, generous coverage and long duration. Khan asked if he could pursue this issue on the Hill; Moore commented that it will be challenging but the GOP and Levis can try. Khan commented that he did not want to jeopardize quick passage but inclusion of 347 and 348 would help Pakistan a lot. On Balochistan, the GOP wants to give the province the same treatment as North West Frontier Province, given the similar levels of development. Khan closed by expressing the GOP's full support for the ROZ legislation.

Incentives key to ROZ development  
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18. (SBU) Moore and Economic Counselor discussed ROZ implementation with Javed Saifullah Khan, Chairman of the SAIF Group, one of Pakistan's biggest conglomerates. SAIF Group has successfully

invested in the Egyptian QIZs and Khan was very helpful in organizing appointments for the ROZ study group in xxxx. His family is from the North West Frontier Province and has textile mills there. Khan highlighted that a long-term, attractive incentive structure and access to finance will be key to attracting industry to the ROZs. He emphasized that duty-free treatment was not sufficient for the textile sector since transportation and energy costs in the ROZ-designated areas will not necessarily be competitive with the Egyptian and Jordanian QIZs.

Transit Trade: Pakistan sees no problems

19. (SBU) Junaid Iqbal Ch., Additional Secretary, Ministry of Economic Affairs, gave Moore and Economic Counselor an update on transit trade and GOP FATA developments plans. Iqbal chairs the Pakistan-Afghanistan Joint Working Group which handles transit trade issues. He highlighted the need for safe transit through Afghanistan to implement the National Trade Corridor Strategy linking Pakistan to Central Asia. In response to our question, Iqbal did not see any problems with the status quo with Afghan transit trade through Pakistan beyond the smuggling issues. The GOP had removed cooking oil from the list of prohibited transit trade items; the GOP is considering the Afghan request to remove cigarettes and automotive spare parts. (Comment: Cigarettes and spare parts, along with electronics, are among the items with the highest incidence of smuggling back to Pakistan. End comment) Moore highlighted the importance of smooth transit trade for the success of ROZs on both sides of the Afghan-Pakistan border and to the revival of the Afghan private sector since the ROZs will be export-oriented.

11. (SBU) On renegotiation of the Pakistan-Afghan transit trade treaty, Iqbal told us that Special Advisor to the Prime Minister (and de facto Finance Minister) Salman Shah would chair a meeting this year to review the status of the treaty. In response to our question, he explained that bilateral trade had decreased because of a decrease in fuel oil imports and a slowdown in the Afghan construction sector. He expressed concern, however, that development of Iranian ports may make that option more attractive for Afghanistan. Pakistan provides 300 million dollars in development assistance to Afghanistan, focused on roads, medical

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facilities and scholarship for 1000 Afghan students to Pakistani universities.

10. (SBU) Iqbal also reviewed Pakistan's plans for FATA development. He stressed the importance of developing infrastructure quickly and noted the 250 million funding deficit. Moore commented that he is following up with G8 members on their commitments made at the June German G8 summit on development of the Pakistan-Afghan border areas.

Intellectual Property Organization: push for data protection

11. (SBU) Pakistan's Intellectual Property Organization (IPO) Secretary Yasin Tahir made a long presentation detailing his

SIPDIS organization's achievement since its 2005 creation. In a discussion of Pakistan's Special 301 out-of-cycle review, Moore emphasized the need for Pakistan to enact TRIPS-compliant data protection legislation as quickly as possible. Keying off Yelsin's point that IPR protection is important for innovation, Moore highlighted the importance of data protection for development of Pakistan life sciences sector. In a reversal of his position at previous meetings, Tahir recognized his organization's responsibility for assisting in this effort. While recognizing the TRIPS obligation and appreciating the decision to remove Pakistan from the priority watch list, Tahir accused the U.S. of making additional demands for IPR protection. He commented that while data protection is a TRIPS commitment, data exclusivity must be negotiated bilaterally. Tahir also made a push for more training and asked that international

training participation requests for all areas touching on IPR be made through his office.

¶12. (U) DAS Moore did not have an opportunity to clear this cable.